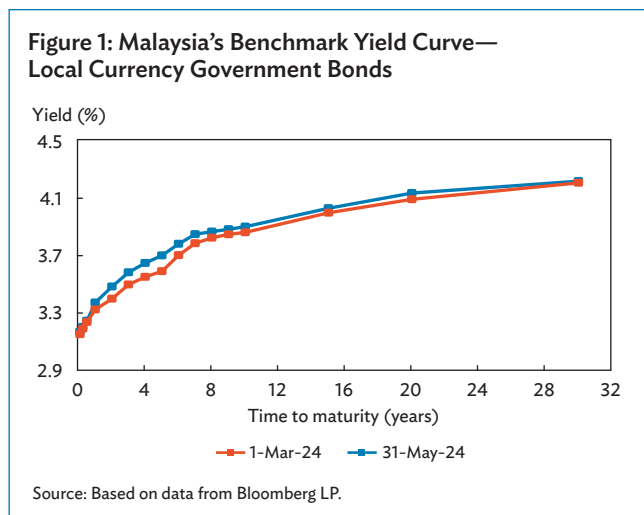


# Malaysia

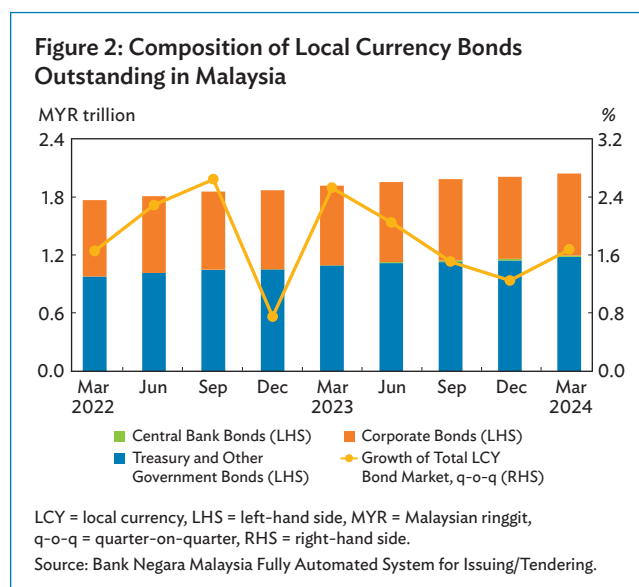
## Yield Movements

Between 1 March and 31 May, the local currency (LCY) government bond yield curve of Malaysia shifted upward largely due to a delay in the expected rate cut by the United States Federal Reserve this year (Figure 1). In addition, Bank Negara Malaysia left its overnight policy rate unchanged at 3.00% on 9 May amid expectations of strong economic growth and moderate inflationary pressures. Malaysia’s economy recorded 4.2% year-on-year (y-o-y) growth in the first quarter (Q1) of 2024, accelerating from 3.0% y-o-y in the previous quarter. Consumer price inflation in April remained stable at 1.8% y-o-y, the same rate as in February and March.



## Local Currency Bond Market Size and Issuance

At the end of March, Malaysia’s LCY bond market was valued at MYR2.0 trillion, an expansion of 1.7% quarter-on-quarter (q-o-q), supported by growth in Treasury and other government bonds, and corporate bonds (Figure 2). Malaysia saw a 3.2% q-o-q increase in outstanding Treasury and other government bonds in Q1 2024, led mainly by an expansion in the stock of government bonds. Meanwhile, outstanding corporate bonds increased slightly by 0.2% q-o-q due to less maturities during the quarter. By the end of March, DanaInfra Nasional remained the leading issuer of corporate securities with outstanding bonds amounting to MYR83.0 billion. *Sukuk* (Islamic bonds) increased 1.6% q-o-q and continued to comprise a majority of Malaysia’s LCY bond market.



**Issuance of LCY bonds in Malaysia contracted 12.8% q-o-q in Q1 2024 on less issuance by corporates and the central bank (Figure 3).** This marked the second consecutive quarterly contraction in issuance of Malaysian LCY bonds after recording a 12.2% q-o-q decline in the previous quarter. Issuance of corporate bonds fell 21.5% q-o-q, while Government Investment Issues (Islamic bonds) fell 2.4% q-o-q. On the other hand, Malaysian Government Securities (conventional bonds) increased 22.0% q-o-q, a rebound from the contraction of 24.0% q-o-q in the fourth quarter of 2023. During the review period, Maybank Islamic issued the largest amount of LCY bonds with eight Islamic commercial paper issuances totaling MYR4.0 billion.

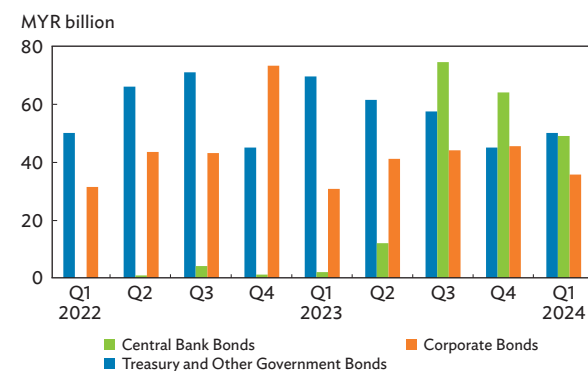
### Investor Profile

**Malaysia’s LCY government bonds’ investor profile remained stable in 2023.** Financial institutions, social security institutions, insurance companies, and foreign holders continued to dominate the LCY government bond market in 2023, collectively accounting for 90.2% of the total holdings at the end of December (Figure 4).

### Sustainable Bond Market

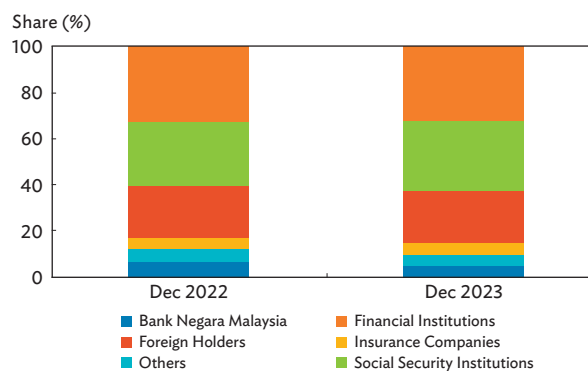
**At the end of March, corporate bonds dominated Malaysia’s sustainable bond market, which mainly comprises sustainability bonds and long-term securities.** Outstanding sustainable bonds in Malaysia totaled USD13.1 billion at the end of March, 75.9% of which were sustainability bonds amounting to USD9.9 billion, followed by green bonds at 18.8% and worth USD2.5 billion (Figure 5). However, this was lower compared with the sustainable bond stock at the end of December due to a contraction in issuance in Q1 2024. At the end of March, 73.9% of sustainable bonds were issued by private corporations, a majority of which carried tenors greater than 5 years. Meanwhile, all sustainable bonds from the public sector were in maturities longer than 5 years at the end of March. This led to a size-weighted average tenor of 8.8 years for all outstanding sustainable bonds in the Malaysian market. About four-fifths of the sustainable bonds outstanding in Malaysia were denominated in ringgit.

**Figure 3: Composition of Local Currency Bond Issuance in Malaysia**



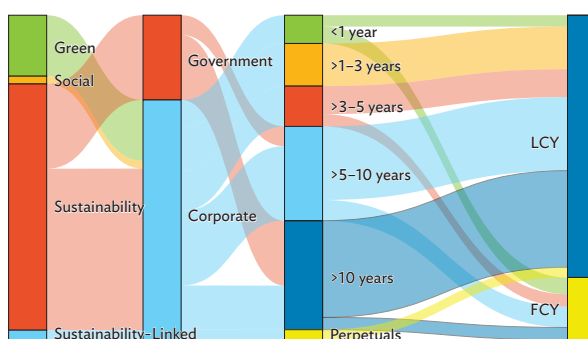
MYR = Malaysian ringgit, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.  
Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

**Figure 4: Local Currency Government Bonds Investor Profile**



MYR = Malaysian ringgit.  
Note: “Others” include statutory bodies, nominees and trustee companies, and cooperatives and unclassified items.  
Source: Bank Negara Malaysia.

**Figure 5: Market Profile of Outstanding Sustainable Bonds in Malaysia at the End of March 2024**



FCY = foreign currency, LCY = local currency.  
Source: AsianBondsOnline calculations based on Bloomberg LP data.